



# Half Year Results

12 September 2023



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# Agenda

- 1 Overview  
John Treharne
- 2 Financial update  
Luke Tait
- 3 Business & Operations update  
Ann-Marie Murphy
- 4 Introduction  
Will Orr







the  
gym  
group

## Overview

John Treharne  
Chair of the Board



# An encouraging first half



**Membership up 10%**  
to 867k (H1 2022: 790k)

**Yield up 8%**  
vs H1 2022

**Revenue up 19%**  
vs H1 2022

LFL<sup>1</sup> up 7%

Offsetting cost inflation  
to maintain EBITDA

## **Continuing investment**

Two new sites

Accelerating new openings

Enhancement in  
existing sites of £7m

## **Net debt reduced**

by £6.4m since Dec 2022

Bank facility extended  
to Oct 2025

## **3-tier price architecture**

Encouraging early  
results from trial

## **Board strengthened**

Will Orr appointed CEO  
& Simon Jones as NED





the  
gym  
group

## Financial update

Luke Tait

Chief Financial Officer

# Financial summary

## Members

**867k**

**+10%**

+77k vs PY

(Jun 2022: 790k)

## ARPM

**£18.81**

**+8%**

+£1.45 vs PY

(Jun 2022: £17.36)

## Revenue

**£99.8m**

**+19%**

+£15.6m vs PY

(Jun 2022: £84.2m)

## Group Adjusted EBITDA Less Normalised Rent<sup>1</sup> (LNR)

**£17.2m**

**+1%**

+£0.2m vs PY

(Jun 2022: £17.0m)

## Statutory Loss before Tax

**-£6.1m**

**+15%**

+£1.1m vs PY

(Jun 2022 restated<sup>2</sup>: -£7.2m)

## Free Cash Flow<sup>1</sup>

**£14.2m**

**+89%**

+£6.7m vs PY

(Jun 2022: £7.5m)

## Non-Property Net Debt<sup>1</sup>

**£69.7m**

**-8%**

-£6.4m vs Dec 2022

(Dec 2022: £76.1m)

## Leverage Ratio<sup>1</sup>

**1.8x**

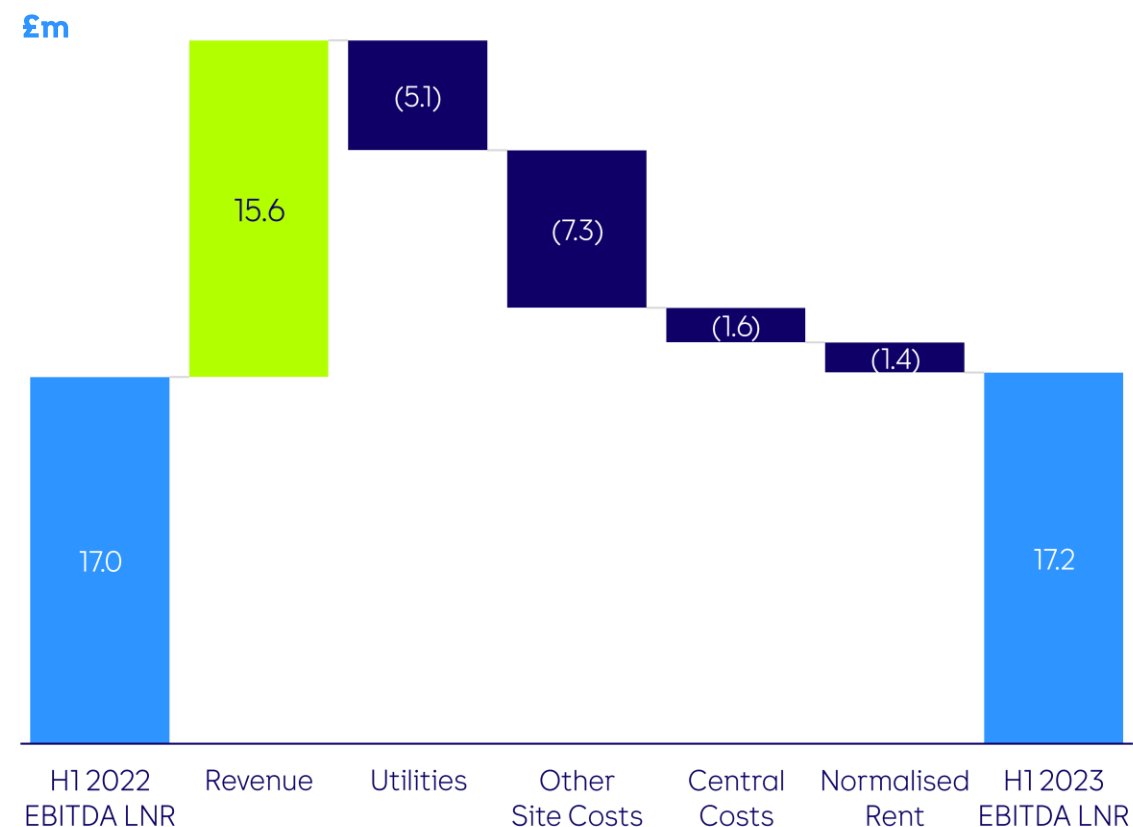
**-10%**

-0.2x vs Dec 2022

(Dec 2022: 2.0x)

# Group adj. EBITDA LNR<sup>1</sup> of £17.2m

£m	H1 2023	H1 2022 Restated <sup>2</sup>	YoY	%
Revenue	99.8	84.2	15.6	19%
Cost of Sales	(1.4)	(0.8)	(0.6)	(75%)
<b>Gross Profit</b>	<b>98.4</b>	<b>83.4</b>	<b>15.0</b>	<b>18%</b>
Site costs	(53.3)	(41.8)	(11.5)	(28%)
Other Income	-	0.3	(0.3)	
Central Costs	(10.0)	(8.4)	(1.6)	(19%)
Normalised Rent	(17.9)	(16.5)	(1.4)	(8%)
<b>Group Adjusted EBITDA LNR</b>	<b>17.2</b>	<b>17.0</b>	<b>0.2</b>	<b>1%</b>
<i>EBITDA LNR Margin</i>	17%	20%	-3pp	(15%)
<i>Add back Normalised Rent</i>	17.9	16.5		
Share Based Payments	(1.4)	(0.6)	(0.8)	(133%)
Depreciation & Amortisation	(28.5)	(29.4)	0.9	3%
Net Financing Costs	(10.4)	(8.2)	(2.2)	(27%)
<b>Group Adjusted Loss Before Tax</b>	<b>(5.2)</b>	<b>(4.7)</b>	<b>(0.5)</b>	<b>(11%)</b>
Total Non-Underlying items	(0.9)	(2.5)	1.6	64%
<b>Loss Before Tax</b>	<b>(6.1)</b>	<b>(7.2)</b>	<b>1.1</b>	<b>15%</b>

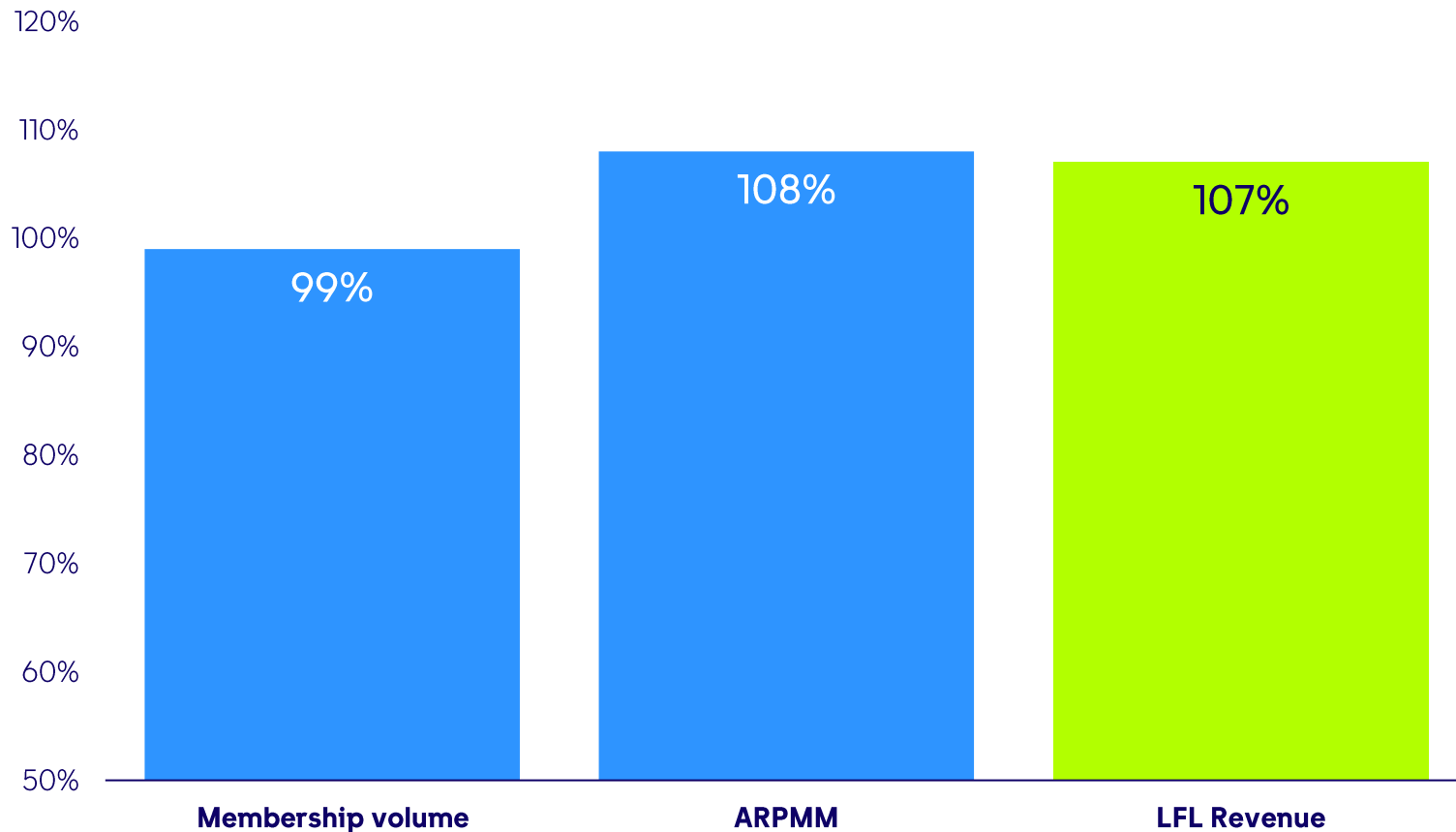


Revenue increased by 19% offsetting cost inflation, with EBITDA LNR maintained



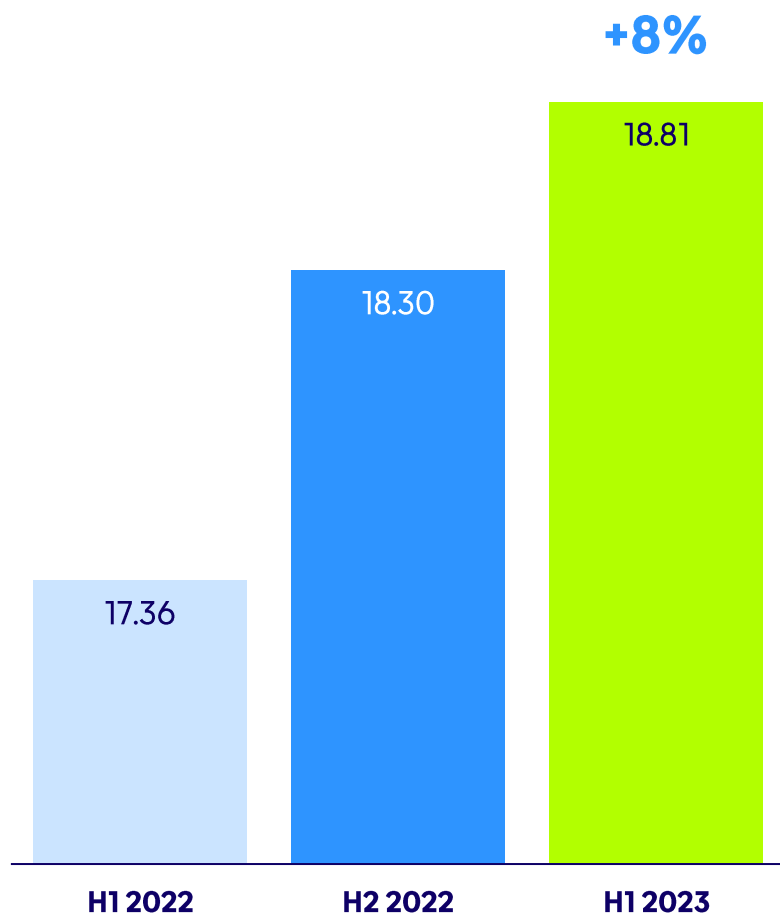
# LFL<sup>1</sup> progression: ARPMM improvements driving growth in mature estate

YTD: Jun 2023 vs Jun 2022



# ARPM growth of 8% from price optimisation and higher LIVE IT penetration

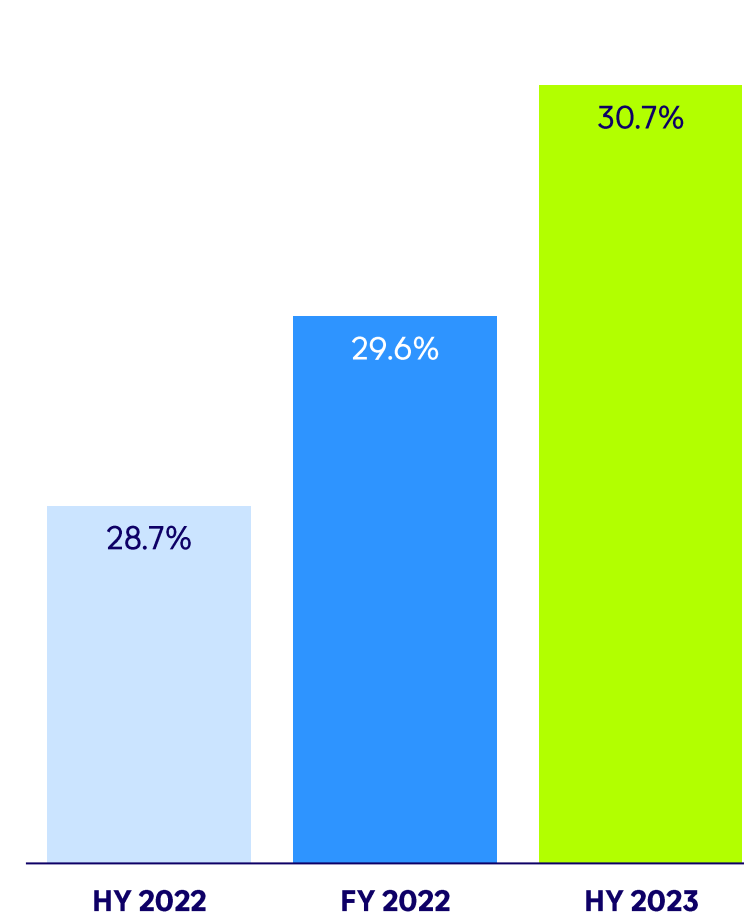
ARPM (£)



Average DO IT/Standard headline rate (£)



LIVE IT/Ulimate penetration (%)





# Market pricing continues to move up

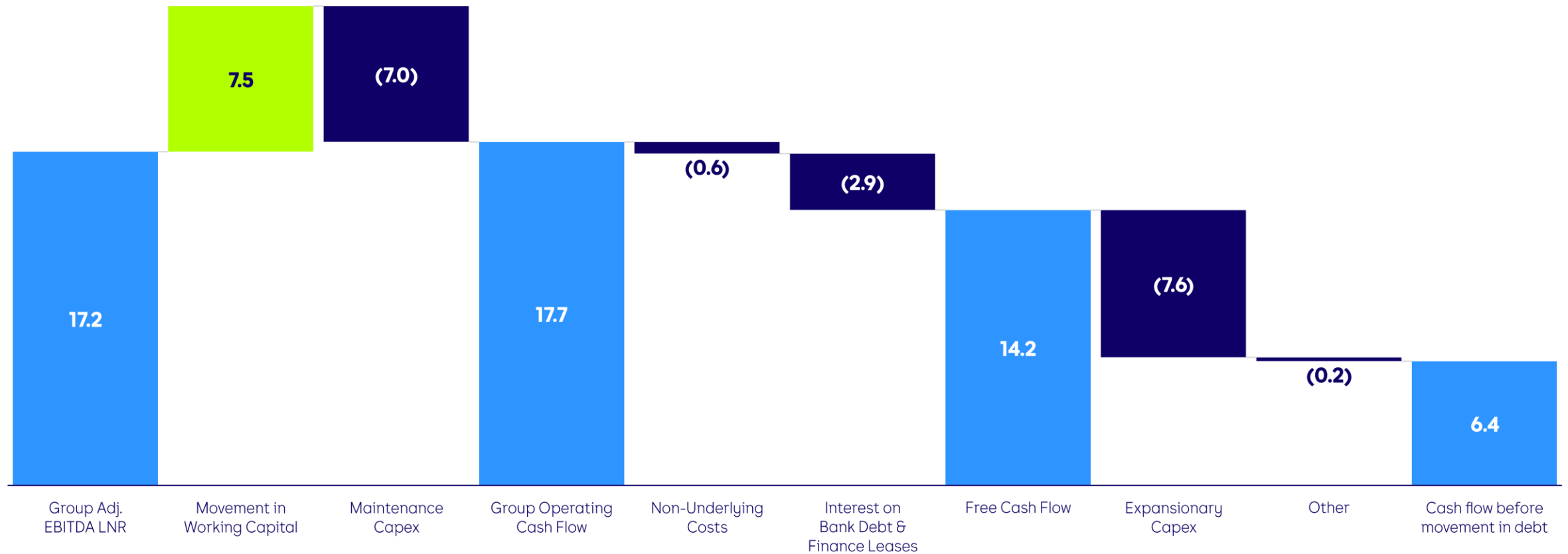
## Average difference to The Gym Group in competing locations

	Dec 2021	Dec 2022	Summer 2023
 JD GYMS	+£4.12	+£2.33	+£2.17
 PUREGYM	+£4.48	+£2.35	+£2.67
 énergie Fitness <small>sauvons gas bléng...</small>	+£4.06	+£3.83	+£4.46



# Strong cash flow generation

£m





# Reinvesting Free Cash Flow<sup>1</sup> to drive the business

## Expansionary

2 organic new sites opened so far in 2023

Tech & Data investment includes 3-tier membership infrastructure

## Maintenance

Format enhancements at key mature sites to maintain high standards and memberships

Maintenance cash capex 7% of revenue (H1 2022: 3%) including new kit in 19 easyGym/Lifestyle sites

### Capital expenditure and additions

£m	H1 2023	H1 2022	YoY
New Sites (including leases)	4.2	11.8	(7.6)
Tech & Data	3.3	2.5	0.8
Brand Relaunch	0.1	0.7	(0.6)
<b>Expansionary Capex<sup>1</sup></b>	<b>7.6</b>	<b>15.0</b>	<b>(7.4)</b>
Enhancement (including leases)	4.9	0.2	4.7
Other Maintenance	2.1	2.6	(0.6)
<b>Maintenance Capex<sup>1</sup></b>	<b>7.0</b>	<b>2.8</b>	<b>4.2</b>
<b>Total Cash Flow Capex<sup>2</sup></b>	<b>14.6</b>	<b>17.8</b>	<b>(3.2)</b>
<i>Movement in Capex Creditor</i>	(7.2)	1.5	(8.7)
<i>Fixed Asset Additions</i>	7.4	19.3	(11.9)

# Net debt reduced by £6.4m

£m	H1 2023	FY 2022	H1 2022
Bank facilities	80.0	80.0	80.0
Lease facilities <sup>1</sup>	15.0	15.0	12.5
Total facilities	95.0	95.0	92.5
RCF drawn	(63.0)	(70.0)	(57.5)
Cash & cash equivalents	5.1	5.4	6.9
<b>Bank net debt</b>	<b>(57.9)</b>	<b>(64.6)</b>	<b>(50.6)</b>
Finance lease indebtedness	(11.8)	(11.5)	(7.0)
<b>Non-Property Net Debt<sup>2</sup></b>	<b>(69.7)</b>	<b>(76.1)</b>	<b>(57.6)</b>
<b>Leverage<sup>2</sup></b>	<b>1.8x</b>	<b>2.0x</b>	<b>1.9x</b>
<b>Fixed charge cover<sup>2</sup></b>	<b>1.8x</b>	<b>2.0x</b>	<b>1.8x</b>

**Leverage reduced to 1.8x**





# Longer term bank funding secured

- ① Facilities extended to Oct 2025
- ② Barclays joins HSBC and NatWest in syndicate
- ③ COVID-related covenants removed
- ④ Net debt to EBITDA LNR leverage<sup>1</sup> covenant is 3.0x

**Funding secured from supportive banking partners for the future**



# Current trading and outlook



## Recent trading

- Good momentum in H1 2023...
- ...Continuing into July and August



## 2023 Full year outlook

- Revenue growth from yield and new openings
- Expected to broadly offset cost increases year on year



## Investment in capex

- Self-financed from Free Cash Flow<sup>1</sup>
- 4 to 5 new openings expected in H2 2023
- Leverage<sup>1</sup> to remain within range of 1.5-2.0x



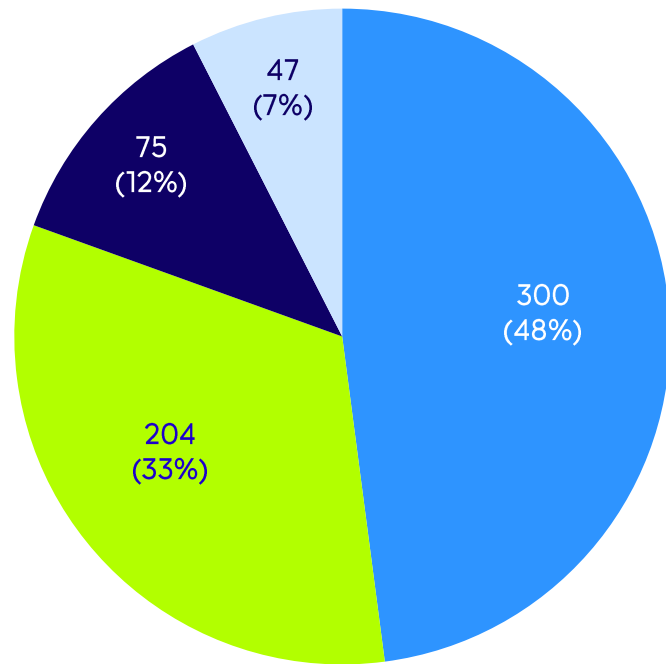
# Business & Operations update

Ann-Marie Murphy  
Chief Operating Officer



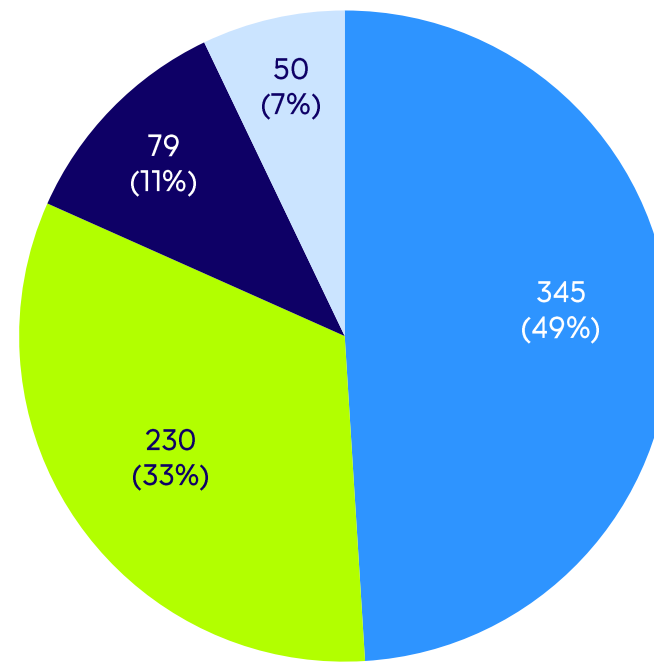
# Low cost gym sector growing sites and members

No. of low cost Gyms 2022



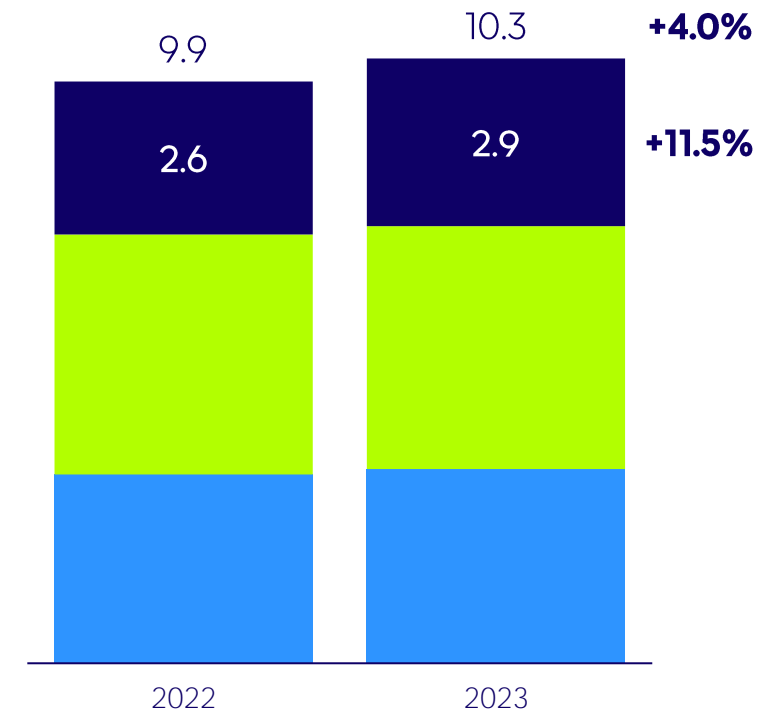
■ Pure Gym ■ TGG ■ JD Gyms ■ Other

No. of low cost Gyms 2023



■ Pure Gym ■ TGG ■ JD Gyms ■ Other

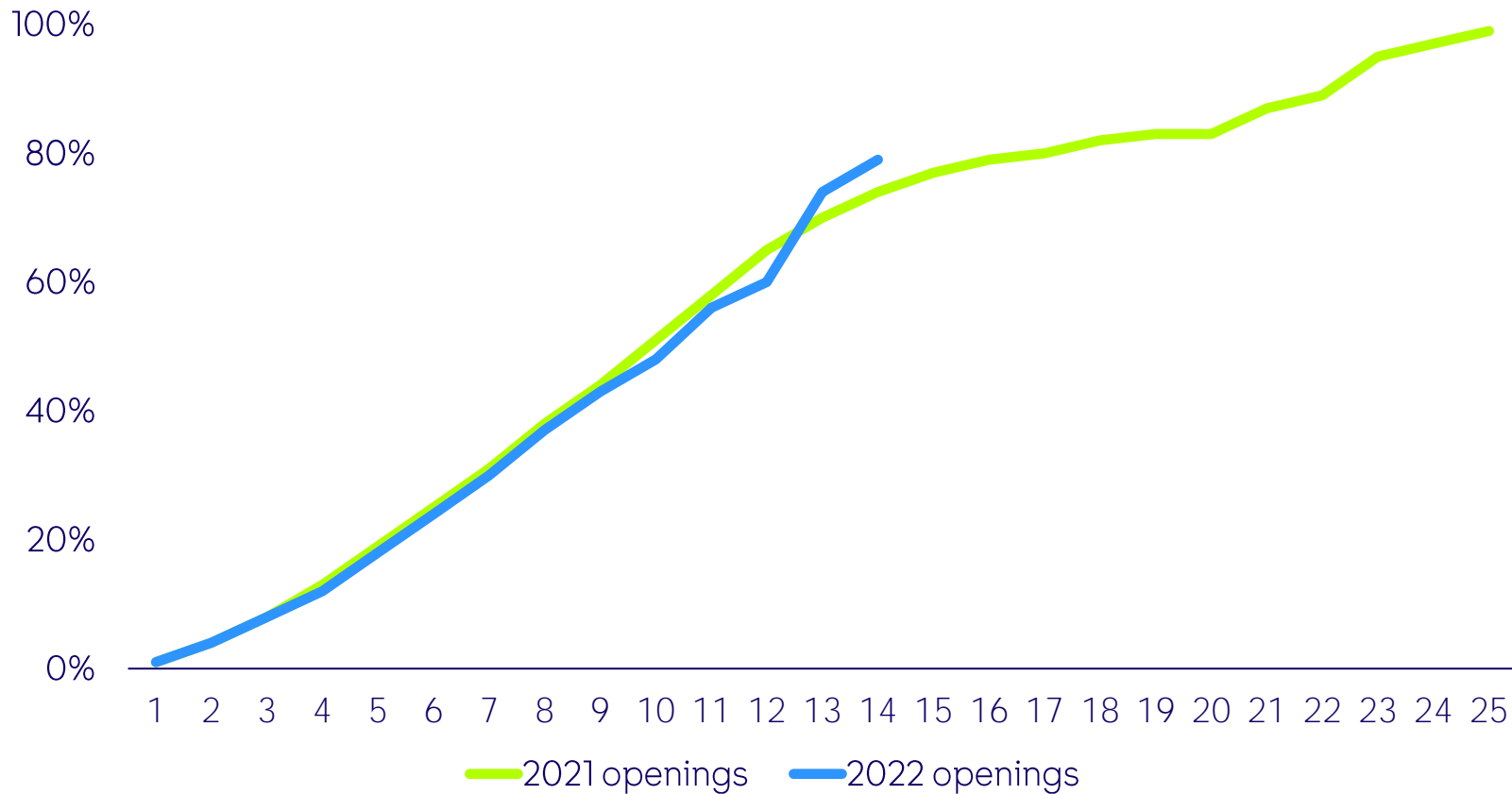
Number of members (m)



■ Public ■ Mid-market ■ Low cost

# New sites performing well

Revenue vs mature target by month open



**Sites opened in 2021  
reaching 100% of their  
mature revenue targets**

**Sites opened in 2022  
progressing well**

# Accelerating new openings



## H1 2023

### Two new openings in H1 2023

- Accrington - Town
- Edinburgh Corstophine – Urban Residential



## H2 2023

### 4-5 openings planned in H2

- 2-3 Greater London
- 1 Urban Residential
- 1 Town



## 2024

### 10-12 openings planned in 2024



Targeting locations that give the best returns



# Sustaining high levels of member satisfaction & engagement

**Good operational delivery**



**Overall Satisfaction**

**57%** members rate 5/5

**93%** rate at least 4/5



**Online ratings**

**4.5** Trustpilot

**4.5** Google reviews

**Driving member engagement**



**Visits per member**

**+21%** since 2019

**+9%** vs 2022



**App usage**

**80%** active member engagement

**+15%** downloads YoY

# Enhancing core gym product

Serving the needs of today's members



## Investing in mature sites

New kit in 19 acquired sites

Major refurbishments and kit replacements at 11 key sites in 2023



## Changes in format: roll-out of new equipment

Extended dumbbell range in 88 gyms

Lifting rigs for 22 more sites

Ski Ergs and air bikes to 15 sites

On-going equipment upgrades



## New style free weights lifting rigs

increasing demand for strength exercise provides 3x the capacity in the existing footprint



## Additional functional training equipment

and new focal point storage enhancing class delivery



## New range of HiIT equipment

delivering improved member experience increased scope of class delivery

# Taking emerging fitness trends & making them accessible at scale

## Example: HYROX



HYROX is a combination of running and 8 different strength and endurance workouts.



Available in 17 sites. The Gym Group is the largest HYROX provider in London.



Currently expanding the HYROX offering to mirror the cities where HYROX events are hosted – Glasgow, Manchester, Birmingham



### Member feedback

“HYROX are so great they actually make you work out. It's very good, especially the instructors who get you to use a lot of the cardio and weights. I would recommend the class - they are great on a Monday evening at 6:10.”



# 3-tier price architecture trials encouraging

## 3-tier Membership Structure

**New lower priced**  
off-peak membership

**Improved premium membership**  
at higher price point

Trialling in **64** sites

**Initial results encouraging**

**Ongoing testing**, evaluation  
and optimisation



## Target Benefits

**Incremental volume** from  
price-sensitive members

**Higher yield** in premium  
and core memberships

**Lower entry prices** to drive  
brand value and consideration

**More flexible structure**  
for yield optimisation



# Driving Social Value and reducing energy usage

## Our employees' & members' health & wellbeing

- Record member visits in 2022 resulted in £756m of Social Value
- Over 32m visits to our gyms in H1 2023: up 20% on H1 2022
- Expect to exceed 2022 Social Value in 2023
- Continuing high levels of employee engagement



## Good Jobs & Lifelong Learning

Enhanced early careers, development and engagement programmes

- Accelerate PT programme
- Emerging Talent, Apprenticeship and Mentoring programmes
- Enhanced employee engagement insights through Peakon



## Reducing our carbon emissions

Energy reduction programme delivered 10 projects, saving c. 6%

- Annualised CO2e emissions reduced by 300+ tonnes
- Voltage optimisation
- Lighting controls
- Water consumption monitoring and reduction
- Optimised ventilation and air conditioning



we're with you  
for a fit future

Rated AAA ('Industry leading')  
by MSCI ESG ratings



# Summary & Outlook



**On track to deliver  
full year plan**



**Improved funding  
position**



**Investment in  
customer  
proposition**



**Strengthened  
Board**

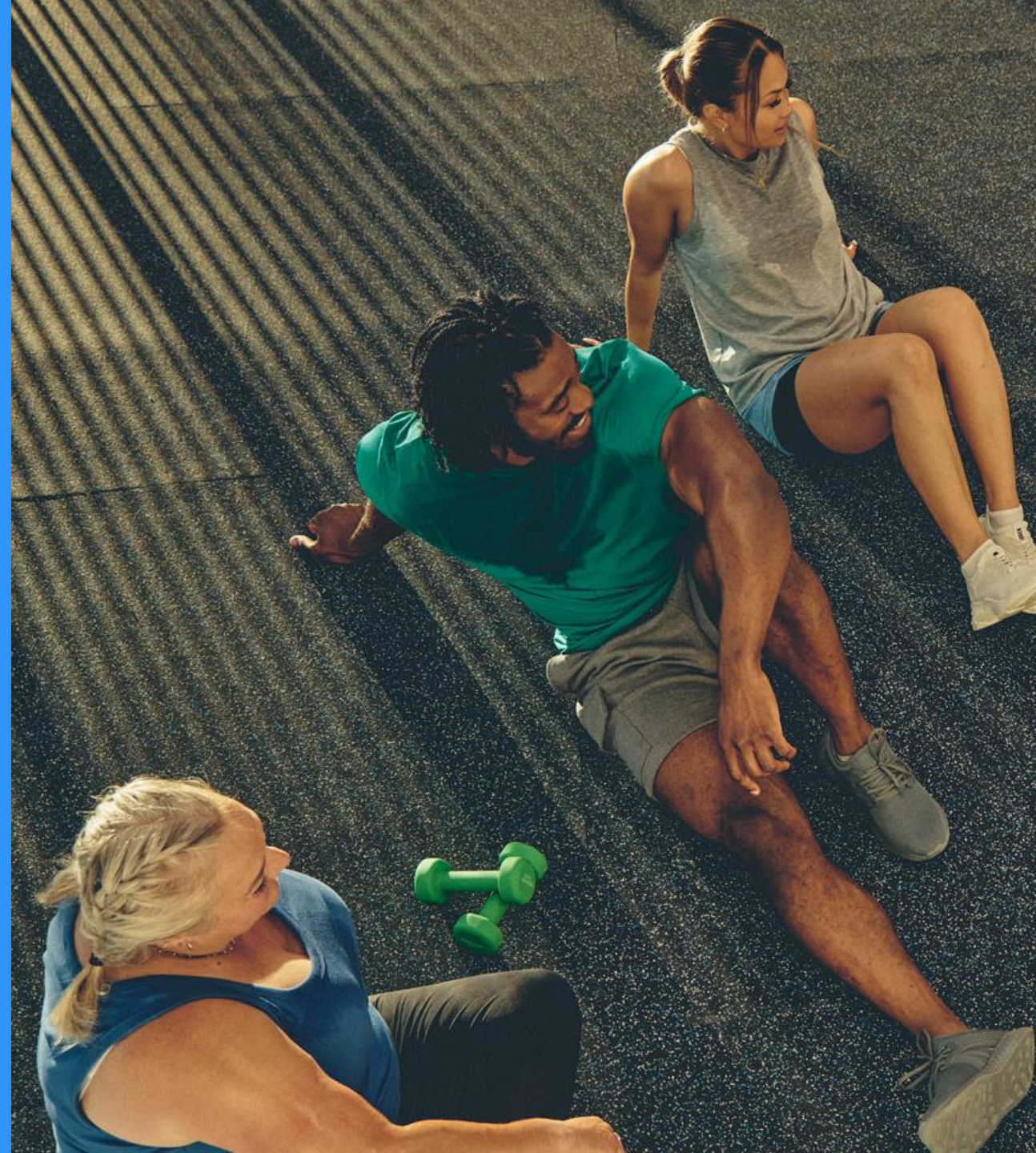




# Introduction

Will Orr

Chief Executive Officer



# Will Orr introduction



## Experience

- 30 years in consumer businesses
- Majority subscription based
- Growth track record



## Why The Gym Group?

- Strong proposition; growing market
- Resilient business model; clear value drivers
- Good foundations; upside opportunity



## Initial focus:

- Immersion
- FY 2023 trading
- 'Next Chapter' strategy



**Q&A**





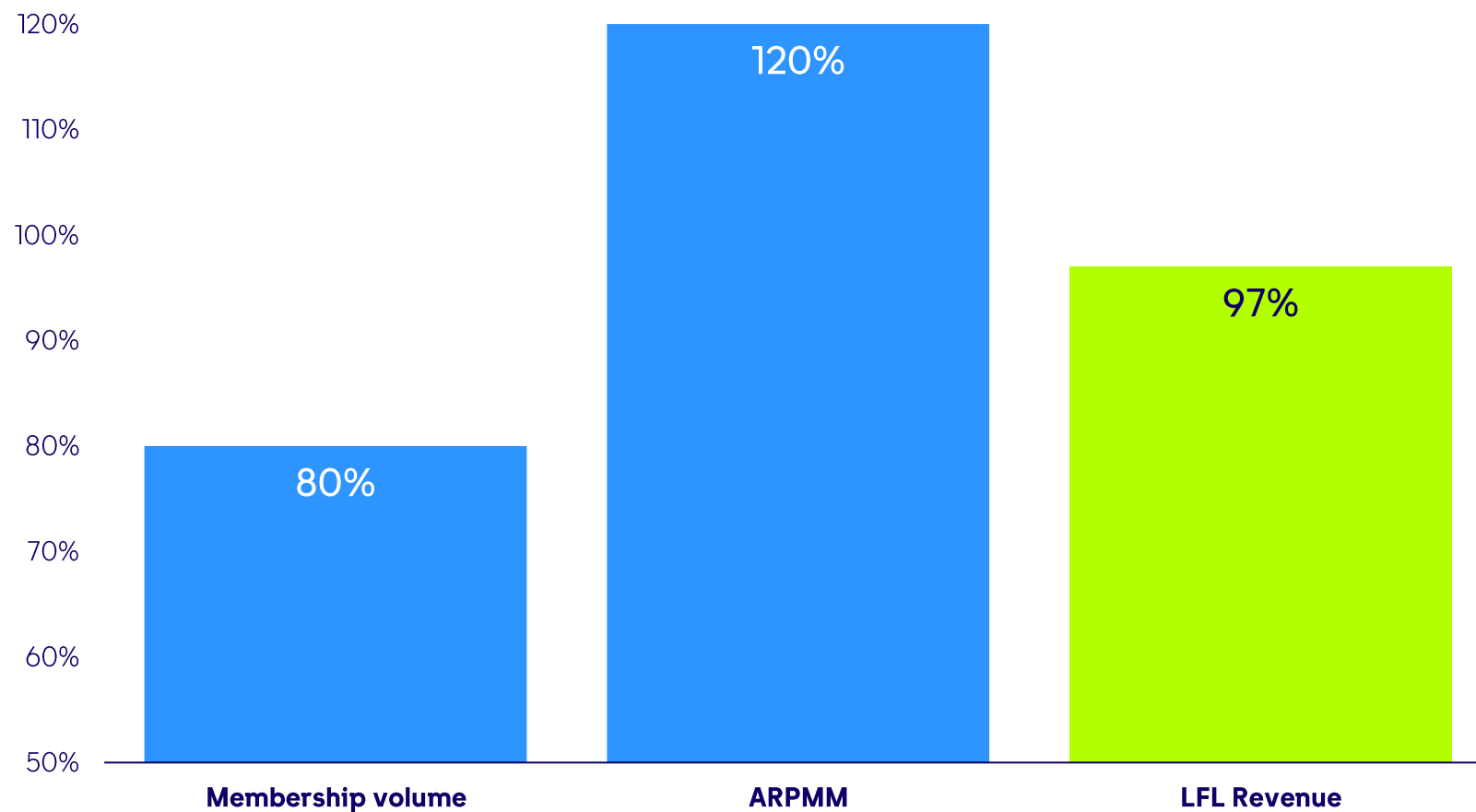
# Business KPIs (5 year)

Financial	H1 2023	H1 2022	H1 2021	H1 2020	H1 2019	YoY
<b>Revenue</b>	99.8	84.2	29.3	37.3	74.0	19%
<b>Group Adj. EBITDA LNR</b>	17.2	17.0	(8.1)	(8.2)	24.0	1%
<b>Group Operating Cash Flow</b>	17.7	9.4	(3.4)	(4.0)	18.7	88%
<b>Group Operating Cash Flow Conversion</b>	102.9%	55.2%	42.3%	49.0%	77.9%	86%
<b>Expansionary Capital Expenditure</b>	7.6	15.0	8.7	15.4	15.9	(51%)
<b>Non-Property Net Debt</b>	(69.7)	(57.6)	(60.4)	(29.2)	(47.2)	21%
<b>Operational</b>						
<b>Gyms in operation</b>	230	212	187	179	165	8%
<b>Members at year end ('000)</b>	867	790	730	698	796	10%
<b>Average members ('000)</b>	885	810	630	778	797	9%
<b>Average revenue per member per month (£)<sup>1</sup></b>	18.81	17.36	17.61	18.42	15.47	8%



# LFL revenue vs 2019<sup>1</sup>

YTD: Jun 2023 vs Jun 2019



<sup>1</sup>Like-for-like revenue vs 2019 includes all sites open as at 31 December 2018

# Definition of non-statutory measures

**Group Adjusted EBITDA LNR** – operating profit before depreciation, amortisation, share based payments costs, non-underlying items and Normalised Rent.

**Normalised Rent** – the contractual rent that would have been paid in normal circumstances without any agreed deferrals, recognised in the monthly period to which it relates.

**Adjusted Loss/Profit before Tax** – loss/profit before tax before non-underlying items.

**Group Operating Cash Flow** – Group Adjusted EBITDA Less Normalised Rent, movement in working capital and maintenance capital expenditure.

**Free Cash Flow** – Group Operating Cash Flow less cash non-underlying items, bank and non-property lease interest and tax.

**Non-Property Net Debt** – bank and non-property lease debt less cash and cash equivalents.

**Leverage** – Non-Property Net Debt to Group Adjusted EBITDA LNR.

**Fixed Charge Cover** – Adjusted EBITDAR to Net Finance Charges and Normalised Rent.

**Maintenance capital expenditure** – costs of replacement gym equipment and premises refurbishment.

**Expansionary capital expenditure** – costs of fit-out of new gyms (both organic and acquired), technology projects and other strategic projects. It is stated net of contributions from landlords.





**Thank you**

